

## Message Text

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ACTION ARA-14

INFO OCT-01 ISO-00 SOE-02 AID-05 CEA-01 CIAE-00  
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L-03 NSAE-00 NSC-05 OMB-01 PM-05 ICA-11 OES-09  
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-----079723 131045Z /12

R 112238Z AUG 78  
FM AMEMBASSY CARACAS  
TO SECSTATE WASHDC 3382

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EO 11652 NA  
TAGS: EGEN EINV PINT VE  
SUBJ: COPEI CANDIDATE PROPOSES RESTRUCTION OF ROLES OF  
PETROLEOS AND MIN OF MINES AND ENERGY AND RENEGOTIATION  
OF OIL TECHNOLOGY CONTRACTS

SUMMARY: THE COPEI PRESIDENTIAL CANDIDATE, LUIS HERRERA  
CAMPINS ANNOUNCED IN MARACAIBO AUG 10 THAT THE COPEI  
PROGRAM FOR THE VENEZUELAN OIL INDUSTRY IN HIS BID TO  
HELP ARRIVE AT A NATIONAL "OIL CONSENSUS". HIGHLIGHTS  
OF HIS STATEMENT INCLUDED:

- 1) CANCELLATION OF OIL TECHNOLOGY CONTRACTS UPON HIS  
INAUGURATION;
- 2) CLARAFICATION OF THE ROLES OF THE MINISTRY OF MINES  
AND ENERGY, PETROLEOS OF VENEZUELA AND INTEVEP;
- 3) NO PRIVATE PARTICIPATION IN THE DEVELOPMENT OF THE  
ORINOCO OIL BELT;
- 4) REVITALIZATION OF OPEC;
- 5) STATE CONTROL OF THE PETROCHEMICAL INDUSTRY;
- 6) MORE STATE CONTROL OF OIL MARKETING. END SUMMARY

1. LUIS HERRERA CAMPINS, COPEI PRESIDENTIAL CANDIDATE  
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ANNOUNCED THE COPEI PETROLEUM PROGRAM AUG 11 IN  
MARACAIBO. FIRST, HE SAID IN ORDER TO HELP DIVERSIFY THE  
SOURCES OF TECHNOLOGY FOR VENEZUELA, UPON HIS ELECTION HE  
WOULD CANCEL PRESENT OIL TECHNOLOGY CONTRACTS WITH  
MULTINATIONAL CORPORATIONS. THOSE CONTRACTS, ABSOLUTELY  
VITAL FOR THE OIL INDUSTRY, WOULD BE RENEGOTIATED  
ON TERMS "MORE ADVANTAGEOUS TO THE NATION" THAN

THE CONTRACTS NEGOTIATED BY THE PRESENT ADMINISTRATION. HERRERA SEES THIS STEP AS CONSOLIDATING STATE CONTROL OF BASIC INDUSTRIES, BUT DOES NOT RULE OUT THE USE OF PRIVATE TECHNICAL ASSISTANCE "WHEN NECESSARY" IN BASIC INDUSTRIES. IN SECOND LEVEL INDUSTRIES SUCH AS PETROLEUM REFINING, HE WOULD NOT CHANGE THE PRESENT POLICY OF MIXED CAPITAL ENTERPRISES.

2. HERRERA AAMPINS WOULD "CLARIFY" THE ROLES OF THE MINISTRY OF MINES AND ENERGY, PETROLEOS, AND INTEVEP BY FIRST MAKING THE MINISTRY RESPONSIBLE FOR OIL POLICY AND THE CONTROL AND AUDITING OF THE INDUSTRY. PETROLEOS WOULD BE ASSIGNED COORDINATION, PLANNING AND CONTROL OF ALL BUSINESS ACTIVITIES. INTEVEP WOULD HANDLE ALL OIL RELATED RESEARCH AND DEVELOPMENT. HIS FIRST SUGGESTED POLICY IS THAT PETROLEOS USE MORE OF ITS FUNDS FOR EXPLORATION TO INCREASE THE PROVEN RESERVES OF LIGHT AND MEDIUM GRAVITY CRUDE. COMMENT. THIS CLARIFICATION DOES NOT REPRESENT ANY DRASTIC RESTRUCTURING BUT WOULD IMPLY A FURTHER POLITICIZING OF THE OIL INDUSTRY. END COMMENT.

3. THE ORINOCO OIL BELT, UNDER HIS ADMINISTRATION, WOULD BE SEEN AS A GREAT RESEARCH PROJECT THAT WOULD NOT INCLUDE ANY PRIVATE PARTICIPATION (FOREIGN OR DOMESTIC) IN ITS DEVELOPMENT. ACCORDING TO HERRERA, ANY FOREIGN PARTICIPATION WOULD REPRESENT A BACKWARD STEP FROM THE PROCESS OF OIL LIMITED OFFICIAL USE

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NATIONALIZATION.

4. HERRERA WOULD LIKE TO SEE OPEC'S ROLE REVITALIZED AND WOULD LIKE TO STRENGTHEN BILATERAL TIES WITH ITS MEMBERS. CONCOMITANTLY THE RELATIONS WITH VENEZUELA'S PRIME OIL CUSTOMERS SHOULD ALSO BE PAID SPECIAL ATTENTION. CONCERNING PETROCHEMICALS, THE 20 YEAR LOSS LEADER OF THE VENEZUELAN OIL INDUSTRY, HERRERA PROMISED TO GRANT PETROLEOS ALL NECESSARY ASSISTANCE TO TURN THE STATE-OWNED INDUSTRY INTO AN "EFFICIENT AND PROFITABLE" ONE.

5. THE COPEI CANDIDATE EXPRESSED HIS HOPE THAT THE STATE WILL "ATTEMPT TO TAKE OVER MARKETING RESPONSIBILITIES" FOR PETROLEUM. THIS COULD BE REALIZED BY DIRECT NATIONAL TO NATIONAL SALES WHILE REDUCING THE PRESENT OFF-TAKE AGREEMENTS WITH FORMER CONCESSIONAIRES. VENEZUELAN SHIPPING WOULD ALSO BE AIDED BY HIS PROPOSAL TO SHIP MORE CRUDE IN VENEZUELAN BOTTOMS.

6. COMMENT: HERRERA'S PRESENTATION FOLLOWS THE STANDARD COPEI POSITION OF HARSH CRITICISM OF THE TECHNOLOGY CONTRACTS, A HARD-LINE STANCE ON DEFENSE OF ORINOCO RESOURCES,

A CALL FOR REORGANIZATION OF THE STATE INDUSTRY, AND POSSIBLE  
REDUCTION IN DEPENDENCE ON SALES CONTRACTS. IT  
REPRESENTS A SUBSTANTIAL REFINEMENT FROM THE DRAFT 1977  
COPEI PROGRAM WHICH DID NOT DEAL WITH INDUSTRY  
REORGANIZATION OR SALES CONTRACTS. AT FIRST GLANCE, IT  
SEEMS APPARENT THAT COPEI HOPES TO FOCUS NATIONAL ATTENTION  
ON THE TECHNOLOGY CONTRACT LONG THE BETE NOIRE OF THE SOCIAL  
CHRISTIANS. THIS IS CERTAINLY NOT UNEXPECTED, GIVEN  
COPEI'S REGRET OVER NOT HAVING ACHIEVED THE OIL NATIONALIZATION  
ITSELF (CARACAS 3529). IT ALSO WILL GENERATE SOME HEAT OVER  
ITS RECOMMENDATIONS TO SEPARATE MANAGEMENT DECISIONS (GOING  
APPARENTLY TO THE MINES MINISTRY) FROM OPERATIONAL  
DECISIONS (REMAINING WITH PETROLEOS). THIS SUGGESTION  
APPARENTLY RUNS COUNTER TO WHAT COPEYANOS AS WELL AS  
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ADECOS TELL US PRIVATELY I.E. THAT NEITHER PARTY WOULD  
WISH TO POLITICIZE THE OIL INDUSTRY. WHETHER IT IS MERELY  
CAMPAIGN RHETORIC OR WOULD BE TAKEN SERIOUSLY BY HERRERA  
IF ELECTED, REMAINS TO BE SEEN. IN ANY CASE, IT CERTAINLY  
COULD BE INTERPRETED AS PUTTING POLICY DECISIONS INTO A  
POLITICIZED MINES MINISTRY RATHER THAN RETAINING  
THEM IN PETROLEOS WHICH, TO DATE, HAS BEEN RUN ON STRICT  
TECHNICAL GROUNDS. IT ALSO RAISES QUESTIONS OF HOW  
ORINOCO OIL MIGHT BE EVENTUALLY EXPLOITED WITHOUT AT LEAST  
SOME FOREIGN TECHNOLOGY, TECHNOLOGY WHICH THE PROGRAM  
SEEMS TO FORECLOSE. HERRERA'S SUGGESTION FOR INCREASING  
THE GOV'S CONTROL OVER SALES RUNS PARALLEL TO PEREZ' OWN  
DESIRE TO REDUCE VENEZUELA'S DEPENDENCE ON MULTINATIONAL  
OIL COMPANIES AND DIVERSIFY VENEZUELAN MARKETING AS  
MUCH AS POSSIBLE.  
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## Message Attributes

**Automatic Decaptioning:** X  
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**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** PETROLEUM INDUSTRY, ELECTION CANDIDATES, PROGRAMS (PROJECTS)  
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**Copy:** SINGLE  
**Draft Date:** 11 aug 1978  
**Decaption Date:** 01 jan 1960  
**Decaption Note:**  
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**Disposition Approved on Date:**  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 20 Mar 2014  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
**Disposition Remarks:**  
**Document Number:** 1978CARACA07532  
**Document Source:** CORE  
**Document Unique ID:** 00  
**Drafter:** n/a  
**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Expiration:**  
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**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
**Original Previous Handling Restrictions:** n/a  
**Page Count:** 3  
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**Review Exemptions:** n/a  
**Review Media Identifier:**  
**Review Release Date:** N/A  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
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**Status:** NATIVE  
**Subject:** COPEI CANDIDATE PROPOSES RESTRUCTION OF ROLES OF PETROLEOS AND MIN OF MINES AND ENERGY AND RENEGOTIATION OF OIL TECHNOLOGY CONTRACTS  
**TAGS:** EGEN, EINV, PINT, ENRG, VE, (HERRERA CAMPINS, LUIS)  
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**Type:** TE  
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**Review Markings:**  
Sheryl P. Walter  
Declassified/Released  
US Department of State  
EO Systematic Review  
20 Mar 2014  
**Markings:** Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014